

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: CP:E:EO:T:5

Date: JAN 24 1997

Employer Identification Number: [REDACTED]
Key District: Northeast (Brooklyn NY)
Annual Tax Return Required: Form 1041
Tax Years Involved: [REDACTED]

Dear Applicant:

This letter constitutes our final adverse ruling with respect to your claim of exemption from federal income taxation under section 501(c)(9) of the Internal Revenue Code.

We make this ruling for the following reasons:

You do not meet section 1.501(c)(9)-3(f) of the Income Tax Regulations and section 1.501(c)(9)-3(b) of the regulations because your use of only whole life insurance policies, with substantial cash build-up values for your three members, goes beyond providing only current life coverage for your members in that it also provides a savings benefit for your members contrary to those regulations.

You do not meet section 1.501(c)(9)-4(b) of the regulations for any tax years when you provide a whole life insurance policy with cash build-up for only your one highly compensated member, [REDACTED], and not for your other two members, because a discriminatory benefit in favor of a highly compensated member is contrary to the regulation.

You do not meet section 1.501(c)(9)-2(c)(3) of the regulations because you have not established that you are an association of employees controlled by the employees rather than by the business owner, [REDACTED]

[REDACTED]

The Code and the regulations issued thereunder require that you file federal income tax returns. Based upon the financial information that you furnished, you should file returns on the Form and for the tax years indicated above within 30 days from the date of this letter with your key district for exempt organization matters, shown above, unless you request and your key District Director grants an extension of time to file the returns. You should file returns for later tax years with the appropriate Service Center indicated in the instructions for those returns.

If you have any questions concerning the reasons for this ruling, please contact the person whose name and telephone number appear in the heading of this letter. You should address questions concerning the filing of returns to your key District Director. We are sending a copy of this letter to your attorney.

Sincerely,

(signed) Garland A. Carter

Garland A. Carter
Chief, Exempt Organizations
★ Technical Branch 5

cc: [REDACTED]
[REDACTED]
[REDACTED]

cc: DD, Northeast (Brooklyn, NY)
Attn: EO Group

Initiator
[REDACTED]
[REDACTED]
[REDACTED]

Reviewer
[REDACTED]
[REDACTED]
[REDACTED]